



Statement for the Record

Submitted to the

House Ways and Means Social Security Subcommittee

By The Senior Citizens League

Protecting and Improving Social Security:

Enhancing Social Security to Strengthen the Middle Class

March 2019

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On behalf of our approximately 1.2 million supporters nationwide, The Senior Citizens League (TSCL) would like to thank Social Security Subcommittee Chairman John Larson and Ranking Member Tom Reed for convening this important hearing and for allowing us the opportunity to submit a statement for the record.

TSCL is a nonpartisan organization that consists of active and informed supporters, most of whom are currently enrolled in Social Security's Old-Age and Survivors Insurance (OASI) program. Our supporters tend to be older, lower to middle-income seniors. In a survey that we conducted from January through March of 2018, more than 50 percent of respondents told us they are over the age of eighty.

In that same survey, we asked our supporters about the adequacy of their Social Security benefits. In 2018, beneficiaries received a 2 percent cost-of-living adjustment (COLA), but after Medicare Part B premiums were automatically deducted, 25 percent of our supporters told us they received no benefit increase at all. Another 18 percent saw a boost of five dollars or less, and only 7 percent said they received more than twenty-five dollars from the 2 percent COLA in 2018.

Despite these small increases in take-home Social Security benefits, the survey respondents told us they saw considerable increases in their monthly expenses. More than half – 56 percent – said their monthly expenses went up by more than seventy-nine dollars. Thirty-two percent said their expenses grew by more than \$119.

These numbers were no surprise to The Senior Citizens League. For years, our supporters have told us they cannot keep up with rising costs. Since 2000, Medicare Part B premiums have increased by 195 percent. Average annual out-of-pocket spending on prescription drugs has grown by 188 percent. And home heating oil is up 181 percent. Meanwhile, Social Security benefits have grown by just 46 percent. We estimate that Social Security benefits have lost 34 percent of their purchasing power since 2000 due in large part to inadequate COLAs and rising health care costs.

It is clear to The Senior Citizens League's supporters that Social Security benefits are inadequate. Based on years of survey data from our supporters, it is also clear that older Americans want Congress to enhance benefits.

In a poll that we conducted between December 2018 and February 2019, 42 percent of respondents told us they want Congress to prioritize boosting Social Security benefits more than any other major issue affecting older Americans. Another 30 percent of respondents said Congress should focus on reducing the taxation of Social Security benefits, while 18 percent said they should concentrate on reducing prescription drug prices.

Our survey results show overwhelming support for three Social Security benefit enhancements in particular: improving the COLA, modestly boosting benefits, and cutting taxes for beneficiaries. Together, these policy improvements would reduce senior poverty and strengthen the middle class.

Improving the Social Security COLA

The automatic annual Social Security COLA was enacted in 1972 in order to maintain the purchasing power of Social Security benefits. However, the inflation index that is currently utilized – the Consumer Price Index for Urban Wage Earners (CPI-W) – tends to underestimate the inflation older

Americans experience because it fails to capture the portion of income that beneficiaries spend on expenses like health care or housing costs. As a result, Social Security benefits have lost more than a third of their purchasing power since 2000 according to our research.

A more adequate measure of the inflation older Americans experience is the Consumer Price Index for the Elderly (CPI-E), which the Bureau of Labor Statistics (BLS) has been tracking since 1987. On average, Social Security benefits would be 0.2 percent higher using this measure of inflation. Over a twenty-five-year retirement, a benefit increase of that amount would compound significantly. The Senior Citizens League estimates that an individual who filed for Social Security with average benefits over thirty years ago would have received nearly \$14,000 more in retirement if the CPI-E had been used to measure inflation.

In a survey that was conducted by The Senior Citizens League between January and March of 2018, 81 percent of respondents expressed their support for the adoption of the CPI-E. The Senior Citizens League has endorsed the following three bills in the 116th Congress that would make this simple change:

1. The bipartisan *Fair COLA for Seniors Act* (H.R. 1553), introduced by Representative John Garamendi (CA-3) and Representative Brian Fitzpatrick (PA-1);
2. The *Social Security Expansion Act* (S. 478, H.R. 1170), introduced by Senator Bernie Sanders (VT) and Representative Peter DeFazio (OR-4);
3. The *Social Security 2100 Act* (S. 269, H.R. 860), introduced by Senator Richard Blumenthal (CT) and Social Security Subcommittee Chairman John Larson (CT-1).

The Senior Citizens League also expects Representative Eliot Engel (NY-16) to reintroduce the *Guaranteed 3 Percent COLA Act* in the near future. This bill would adopt the CPI-E and ensure that Social Security beneficiaries never receive an annual COLA that is less than 3 percent. Based on CPI data through February 2019 from the BLS, The Senior Citizens League is predicting another record-low COLA in 2020 of 0.5 percent, making a guaranteed increase of 3 percent more necessary than ever.

Boosting Social Security Benefits

Older Americans believe a modest boost in Social Security benefits is essential in order to make up for years of inadequate COLAs and the loss in buying power that has resulted. In a survey that we conducted between January and March of 2018, 77 percent of our supporters expressed their support for an across-the-board Social Security benefit increase. Only 5 percent of respondents said they would not support a benefit increase.

The Senior Citizens League has endorsed the following two bills in the 116th Congress that would modestly boost benefits for older Americans:

1. The *Social Security Expansion Act* (S. 478, H.R. 1170) would increase average benefits by around \$65 per month or \$800 per year;
2. The *Social Security 2100 Act* (S. 269, H.R. 860) would increase average benefits by around \$30 per month or \$350 per year.

Both bills would boost benefits by increasing the first factor in the Primary Insurance Amount formula. The *Social Security Expansion Act* would gradually increase the first factor by 15 percentage

points over the course of fifteen years, while the *Social Security 2100 Act* would immediately increase the first factor by 3 percentage points. Older Americans enthusiastically support both methods of boosting benefits according to our surveys.

Cutting Taxes for Beneficiaries

In addition, older Americans urge Congress to cut taxes for Social Security beneficiaries. This year, millions of beneficiaries with modest incomes just two times higher than the federal poverty level paid taxes on their Social Security benefits.

Since 1984, single filers with incomes over \$25,000 and joint filers with incomes over \$32,000 have been paying taxes on a portion of their Social Security income. In 1984, only 8 percent of retirees – those with the highest incomes – were affected by this tax. However, this year, more than half of all retired households – around 51 percent – will pay taxes on their Social Security income according to surveys of The Senior Citizens League’s supporters.

Unlike tax brackets that are adjusted annually for inflation, the income thresholds that subject Social Security benefits to taxation have never been adjusted for inflation. Had the income thresholds increased with inflation, the \$25,000 threshold for single filers would be up to \$61,933 today, and the \$32,000 threshold for joint filers would be up to \$78,895.

In a survey that we conducted between January and March of 2018, 55 percent of The Senior Citizens League’s supporters expressed their support for an increase in the income thresholds that subject Social Security benefits to taxation. Only 12 percent of respondents said they would oppose such a change.

The Senior Citizens League has endorsed one bill in the 116th Congress that would adjust the income thresholds and effectively cut taxes for millions of older Americans. The *Social Security 2100 Act* (S. 269, H.R. 860), introduced by Senator Richard Blumenthal (CT) and Social Security Subcommittee Chairman John Larson (CT-1), would increase the income thresholds from \$25,000 to \$50,000 for individual filers, and from \$32,000 to \$100,000 for joint filers. The bill is carefully structured so that there would be no loss of revenues going to the Social Security or Medicare programs due to this provision of the legislation.

The Senior Citizens League’s supporters were disappointed that the *Tax Cuts and Jobs Act* failed to adjust the income thresholds in 2017, and they urge lawmakers to act this year by adopting the *Social Security 2100 Act*.

Paying for Benefit Enhancements

The Senior Citizens League’s supporters understand that we can afford to make these benefit enhancements while strengthening the solvency of the program for decades come by requiring the wealthiest Americans to contribute to the program more fairly. Our supporters have expressed their support for two modifications to the Social Security payroll tax.

In a survey conducted by The Senior Citizens League between January and March of 2018, 59 percent of respondents told us the payroll tax should be applied to all income above \$250,000. Seventy-four percent of respondents told us the payroll tax cap should be eliminated altogether. In that same

survey, 59 percent of respondents said the payroll tax rate should be gradually increased by 1 percent for both workers and employers. Only 16 percent of respondents opposed this change.

Older Americans believe these two modifications to the payroll tax are fair and responsible. Together, they would cover the cost of benefit enhancements while strengthening the solvency of the trust funds. We urge Congress to adopt the *Social Security 2100 Act*, which would increase both the payroll tax cap and the payroll tax rate.

Conclusion

Various surveys of The Senior Citizens League's 1.2 million supporters nationwide show that older Americans have strong opinions about the current and future state of the Social Security program. They believe Congress must enhance benefits in order to reduce senior poverty and strengthen the middle class. They also believe these changes must be fully paid for by requiring the wealthiest individuals to contribute to the Social Security program more fairly.

The Senior Citizens League applauds the Social Security Subcommittee for its work on this important issue, and we thank Chairman Larson and Ranking Member Reed for allowing us the opportunity to submit this statement for the record. In the coming months, we look forward to working with Congress, the Administration, and other stakeholders in any way necessary to protect and enhance the Social Security program.